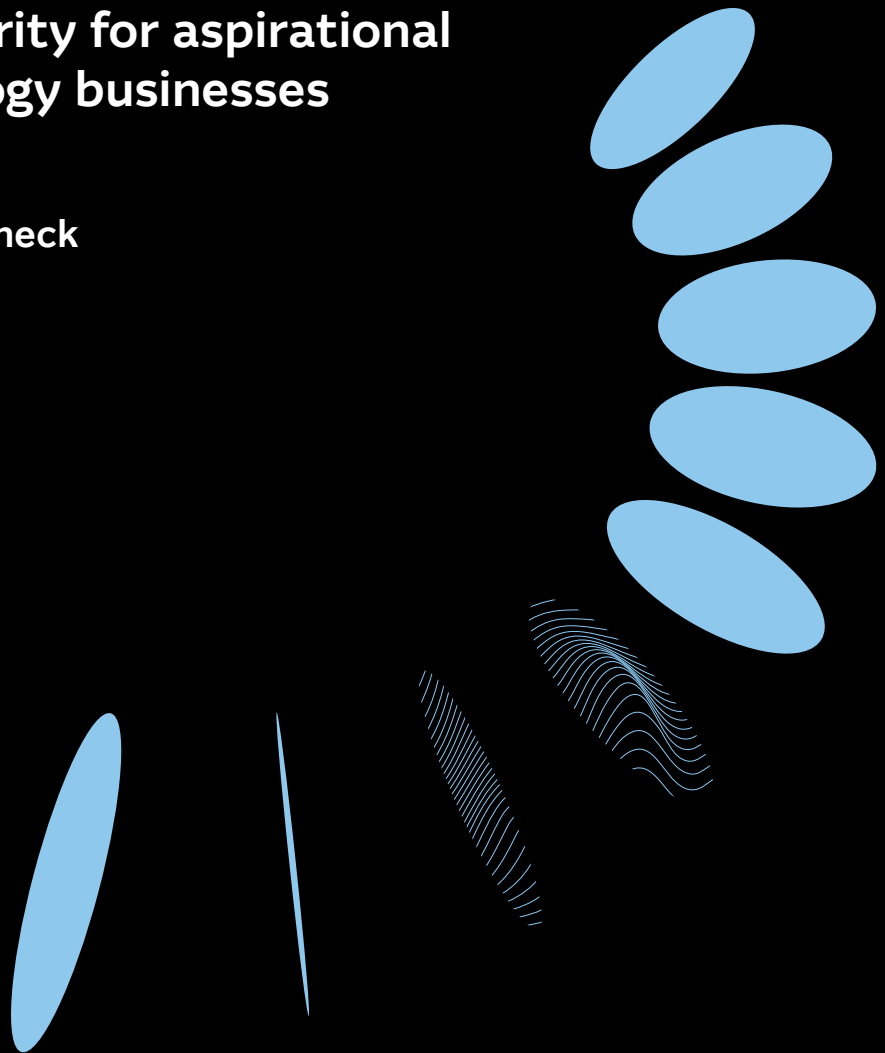




Move smart.
Grow faster.

**The path to prosperity for aspirational
Australian technology businesses**

2021 Technology pulse check



Contents



Technology businesses thrive amid global uncertainty

How did technology businesses grow despite the disruption of 2020? What unresolved challenges do they face? And what can they expect in the future?

Against the backdrop of COVID-19, Macquarie Business Banking initiated its first focused survey of Australian technology providers. Here we explore how the virus rewrote the rules for Australia's economy, why the technology industry out-performed others, and how equipped they feel to continue growing.

We found an industry energised in spite of the pandemic, buoyed by appetite and capability to guide customers through uncertainty, and poised to grow strongly as the world emerges, changed from lockdown.

Foreword

Even in a pandemic, there are winners.

The year 2020 was a year like none in living memory.

COVID-19 has provided economic, social, and human challenge at breathtaking scale, and our inaugural pulse check of Australian technology businesses in September 2020 coincided with worldwide lockdowns, and continued uncertainty.

But while COVID-19 impacted the economy, parts of the technology sector boomed. It's perhaps not surprising that businesses—no longer able to host staff, partners and customers in physical offices—hastened their digital transformations. Overnight, technology businesses deployed videoconferencing and collaboration solutions for their customers while speeding them into the cloud and shoring their cyber defences protecting employees now regularly working from home.

Australian technology innovators found other applications for their products, and pivoted to solving problems, which created opportunities.

As other sectors hibernated, the technology sector geared up — nearly three-quarters (72%) reported revenues either flat or growing (44%). And when 'flat was the new up', nearly two-thirds (63%) turned a profit — one in five had healthy profit margins of 20% or greater. Actual revenues for the year ending 30 June 2020 tracked pre-pandemic expectations (\$10.7m vs. \$11.3m, respectively) even as GDP and macroeconomic activity fell precipitously.

Technology sector alert but not alarmed

So, it's understandable that while alarms were ringing in boardrooms around Australia, technology business leaders were less concerned — twice as many rated COVID-19 as of little concern compared to peers who were 'extremely concerned'. Overall, they registered an 'average' concern on par with any business-as-usual challenge.

Build a bridge to the future

There's no question the efforts to uplift Australia's technology IQ absorbed much of the pandemic's economic shock. So, while it ramped capacity rapidly to serve customers, the technology sector now faces an uncertain aftermath. Has pandemic-initiated investment exhausted budgets, or are business leaders re-thinking the future, excited by a taste of what they may become? While early reports suggest businesses will 'snap back' to the same split of in-office vs. remote workers,¹ perhaps counterintuitively, they also say technology is now their number one investment priority for 2021.²

So, the question for emerging leaders in the technology sector is — how do you maintain momentum and grow in a post-pandemic Australia?

Evan Hinchliffe
Industry Lead, Technology
Macquarie Business Banking

Joseph Perrone
Head of Business Development, Technology
Macquarie Business Banking

Key observations

Customers come first, but key skills and funding are handbrakes on performance.



Despite the effects of the pandemic, Australian technology businesses are optimistic and enjoying significant growth, but say skills and funds constrain their upward flight. They pride themselves on experiences they offer customers and their own vision and strategy but say weaknesses in people orientation and financial focus may inhibit their success. Integration with other technology providers and new product development will be core to the value they create over the next two years. They will spur growth by hiring business development and sales skills while acquiring more support talent to improve key customer relationships.

In our survey, we asked respondents to rate their strengths, weaknesses, key focus areas, hiring intentions, and challenges, over the past 12 months, and looking forward to the next 12 months.

Growth focus

Technology businesses intend to continue strong revenue and profit results by playing to their strengths while seeking outside help and growth opportunities.

69%

Work on the business

69%

Hire for growth skills

55%

Attract private investors

32%

Acquire a business

27%

Borrow money

Skills in demand

Hiring and retaining people to fill vital value-creation roles is key to providing the quality of customer experience on which technology businesses pride themselves.

47%

Business development

46%

Sales

43%

Technical support

34%

Product development

32%

Customer service
or marketing

Strengths

Technology businesses value their customers and believe they have a clear path to prosperity based on how they innovate, engage and execute strategically.

90%

Customer-centricity

88%

Vision and strategy

86%

Entrepreneurialism

82%

Innovation

Weaknesses

Improvements in acknowledged deficits managing people and finances could have outsized benefits that enable technology businesses to fulfil their potential.

30%

People orientation

25%

Financial focus

22%

Adaptability or resilience



Challenges

Apart from funding and people management, competition and cybersecurity are ongoing threats to technology businesses' continued growth and provision of exceptional customer experience (CX).

27%

Accessing growth funds

21%

Attracting key staff

20%

Bigger competitors

16%

Cybersecurity

Priorities

Doubling down on areas of perceived strength while bringing solutions to market are key to how technology businesses intend to remain relevant and prosperous.

85%

Business development

79%

Customer experience

78%

Key customer relationships

67%

New product development

66%

Integration with other providers

The growth merchants

Technology business leaders are optimistic, disrupting, and have a plan.

Although the technology sector endured the same disruptions and uncertainties other sectors faced in 2020, its decision-makers reported adapting faster to the new conditions, feeling more hopeful about the future, and an expectation of healthy earnings.

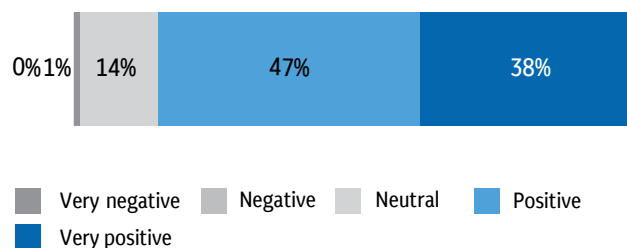
Does optimism spur success or does success breed optimism?

The technology sector was the most optimistic of the Australian economy with the most favourable trading conditions. While 85% of technology businesses were positive or very positive about their sector's prospects over the next 12-24 months, 88% rated themselves as well or very well able to respond to whatever will happen.

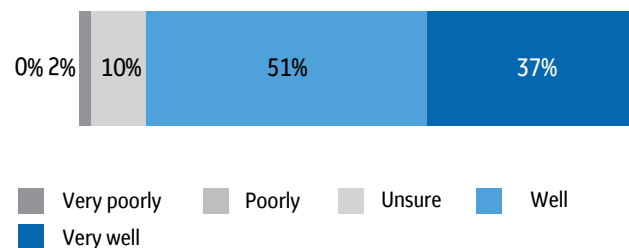
Just two in five respondents were minimally concerned about COVID-19's impact (2% not concerned at all) versus half that number who were very concerned; no one was extremely concerned. Concern was generally well below that which decision-makers expressed in other sectors or was noted by the general community.³

Future focus: the next two years

Outlook for technology industry in next 12 - 24 months



Ability for business to respond to change



Macquarie benchmarked industry - positive or very positive

Technology	85%
Insolvency	67%
Built environment	54%

Macquarie benchmarked industry - well or very well

Insolvency	90%
Technology	87%
Built environment	83%

Takeaways



Most technology businesses are optimistic about their sector and their own future, more so than other industry verticals.

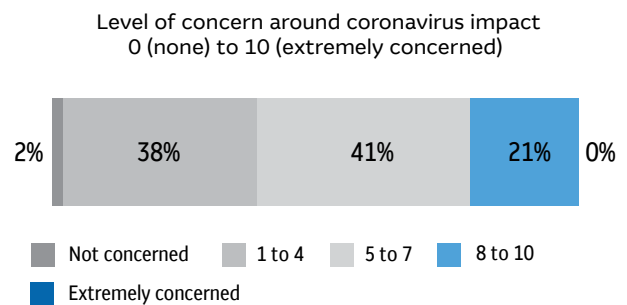
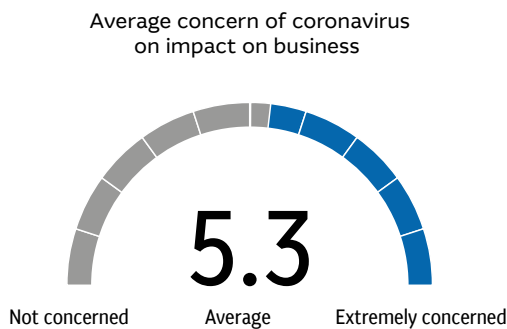


COVID-19 had minimal impact on their operations and spurred business opportunities as customers needed technological solutions to keep operating.



Buying and working intentions indicate healthy revenues and business prospects for technology businesses for the next 1-2 years.

Level of concern around impact of coronavirus on business



Technology a perfect fit to help customers prosper in the new normal

As providers and users of remote collaboration and cloud, the technology sector was ideally placed to continue business as usual while social distancing and work-from-home became the norm. And as other businesses adapted to the new reality, technology businesses had solutions to offer, boosting their revenues. Prior to COVID-19, about one in four businesses (28%) had remote workers; this rose to nearly half (43%) in September 2020 with indications this will be the new business normal.⁴

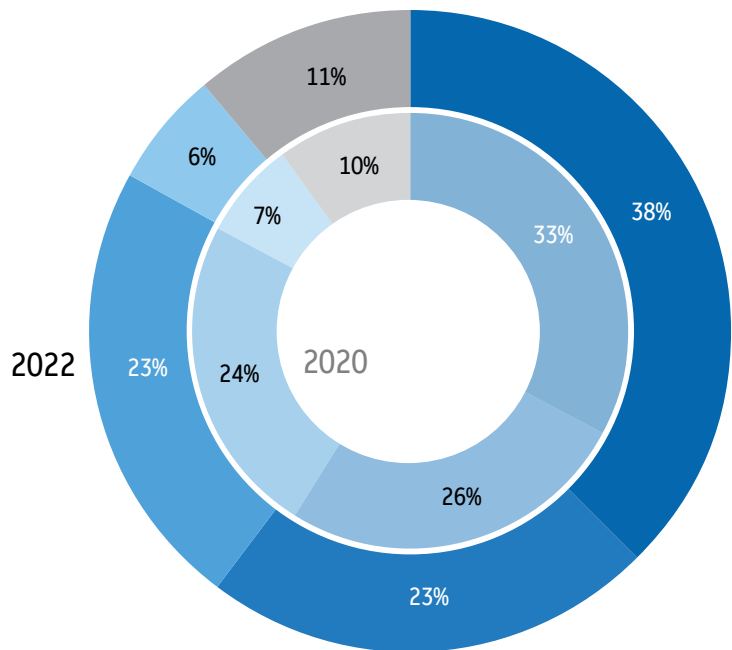
While their exuberance may be discounted as the enthusiasm of young and rapidly growing businesses (their average age was seven years), reported financial results bear out their optimism. Nearly three-quarters (72%) reported growing revenue and nearly two-thirds (63%) turned a profit. SaaS businesses in their growth phase were the exception as they sacrificed short-term profit for growth (55% of all technology businesses pursued revenue growth, well above the benchmark average of 36% for all sectors surveyed).

This mix of being in the right place at the right time with the right offerings may explain the technology sector's robust opinion, as 78% rated themselves highly on resilience and adaptability. While businesses in other sectors tended to cut costs and shed jobs to preserve profit, technology businesses looking ahead to 2021 and beyond will tend to grow, including through mergers and acquisitions.

Future revenue streams

Projected difference from 2020

- Software licence fee +5%
- Project based (consulting) -3%
- Ongoing services/support -1%
- Hardware sales -1%
- Other +1%



Technology businesses find pots of gold in diverse revenue streams

And there are indications that growth experienced during the COVID-19 technology surge will continue into 2021. Projected IT investment for 2020 outpaces vehicles, machinery and construction, with big businesses—especially in financial and insurance services—intending to continue COVID-19 practices such as expanded work-from-home arrangements.⁵

In keeping with the shift to higher-value services and cloud, technology businesses reported they would earn more in 2021 from software licence fees — 38% up five percentage points on 2020.

And while they expect project consulting, and support to dip one or two percentage points (23% each), technology businesses are diversifying revenue streams into licensing their own intellectual property, education and training, and transaction fees to compensate for declining and lower-margin hardware sales.

Integrating the lessons of COVID-19 to lift performance

COVID-19 impacted many sectors, but its passage was moderately positive for owners of businesses in the technology sector. As people become familiar with alternative ways to work—and employers enjoy higher productivity, adaptability and resilience to shocks—indications are that technology businesses will continue to experience favourable trading conditions over the next one to two years.

Thriving



B2B resellers - Enterprises brought forward digital business transformation, remote collaboration and edge computing projects to mobilise suddenly housebound workers.



Hardware - People kitting out home offices at the start of 2020 tightened supply of laptops, printers, storage, and headsets and, while shortages of microprocessors crimped sales, expanding supply met pent-up demand by the middle of the year.



e-commerce - Retail therapy at a distance was popular as shops closed temporarily, limiting crowds, and consumers stayed home.



Broadband - Weekly NBN download speeds peaked during business hours at ~11Tbps (up 38%) week of 3 August 2020 before declining slightly.



Health Technology - As doctors transitioned to remote consultations and videoconferencing, telehealth and healthcare data management providers stepped up to prove their value.



Remote software and cloud - Unable to admit workers, customers or partners to the office, businesses adopted and expanded use of videoconferencing, collaboration, messaging and communications while intensifying cloud use.



Cybersecurity - Devices and appliances to protect 'soft' home networks, backup and disaster recovery services, virtual private networks, and user-awareness training to defend vulnerable users outside the safety of the corporate firewall.

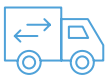
Struggling



Travel - As travellers disappeared, volumes and revenues evaporated for travel-focused technology vendors.



Legacy IT - As public cloud adoption accelerated to support remote workers, businesses increasingly reconsidered their on-premises technology, such as desk-bound PCs and servers.



Transport and logistics - Strains showed in fulfillment specialists as parcel volumes skyrocketed while planes, trains and trucks were in short supply, and social distancing cut the number of workers who could clear backlogs.



Property - Ads and transaction volumes dried up as house sales dropped, but private tours, virtual house opens (especially in desirable lifestyle areas perceived as 'COVID-free'), and vendors taking their own photos softened the fall.

Where are your gaps?

COVID-19 was a wake-up call.
Be ready for what comes next.

Takeaways



Accessing growth capital and key sales, business development and technology support talent are the biggest emerging challenges.



Although wary of external forces such as the economy, technology businesses rate highly their ability to adapt to change.



Technology businesses will look to mergers and acquisitions to grow their customer base, service offerings, revenues and profit.



The fast-moving, growth-minded technology business of the future adapts to change with leaders who continually test themselves and their assumptions.



Customer experience will receive increased emphasis.

The technology sector has managed to capitalise from the events of 2020, as employers piled into digital tools and technologies to maintain productivity of workers they had sent to work from home.

But technology business decision-makers acknowledge gaps of their own—especially in people orientation (30%) and financial focus (25%)—to bridge if they are to grow. And expansion is top of mind for 43% of technology businesses that rank raising money and/or bringing in partners, investors and shareholders among their biggest challenges (27%).

Of the one in three technology businesses that rank people management as a challenge, a fifth (21%) say attracting key staff is a priority versus nearly one in 10 (9%) who say retaining staff is difficult. Succession planning challenges 16% of technology businesses.

As COVID-19 showed, disruptions can come out of nowhere and small events far away can snowball rapidly to have marked effects at home. More than half of technology businesses feel external forces are a significant challenge.

So, while one in three (34%) technology businesses see potential or emerging threats in the Australian economy and workforce, more than one in four are concerned about the global economy (27%) and managing the impact of COVID-19 (26%).

Extent to which external forces are a threat

Over half of technology business feel external forces are a significant challenge, particularly citing the Australian economy and workforce as an upcoming challenge.

53%

Feel external forces are a significant challenge to the business

External forces posing a significant challenge to the technology industry:

34%

Australian economy and workforce

27%

The global economy

26%

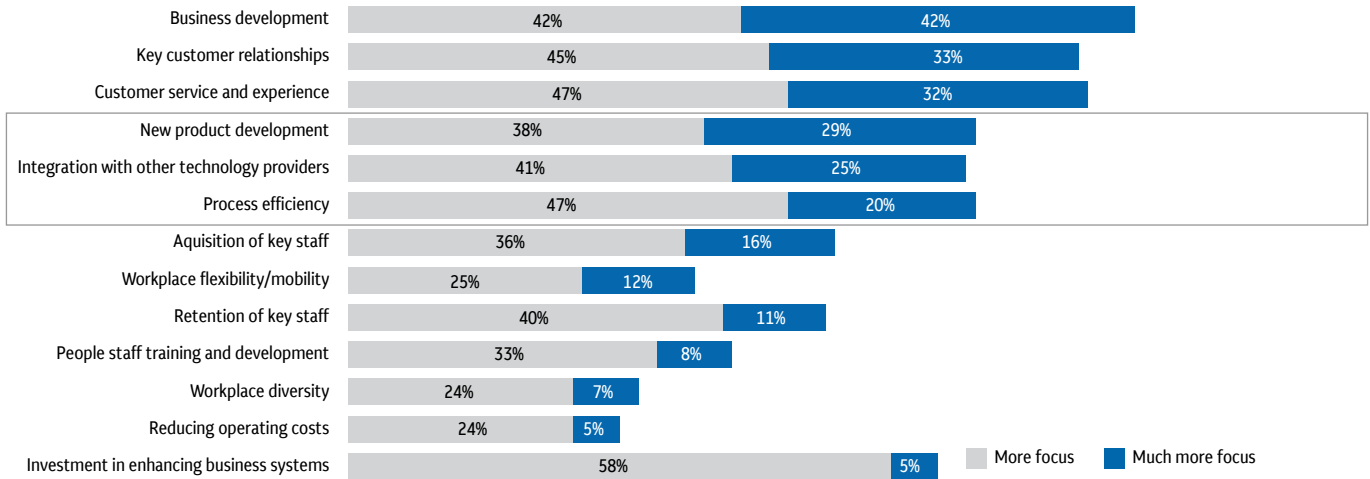
Managing the impact of COVID-19

12%

Managing the rapid change of the sector

Future focus: the next two years

There is going to be a continued emphasis on reaching new customers and improving the experience of existing customers



Get big or get out: Technology businesses go back to basics

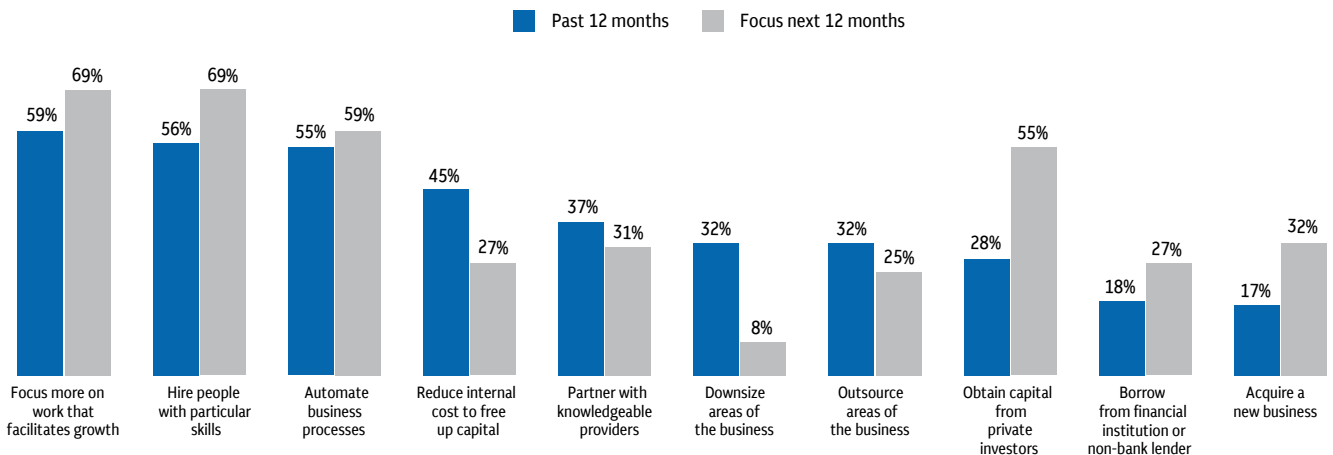
To trade successfully in ever more turbulent and complex conditions, technology businesses will double down on healthy attitude and mindset, customer experience, and teamwork and workplace culture.

These strengths that technology business perceive in themselves will support their drive into revenue-generating activities in the next two years. Business development is the top priority for most technology businesses (84%), followed by the closely related building of key customer relationships (78%) and customer service and experience (79%).

Acknowledging that business conditions have changed, more than half of technology businesses (55%) intend to obtain capital from private investors (doubling from their focus from a year ago) and 27% will borrow from a bank or a non-bank lender (18% last year). This money may finance the aspirations of a third of technology business (32%) that intend to acquire a new business (17% last year), and the 69% who say they will hire more people (up from 56%).

And while automating business processes is a continued and growing focus for 59% of technology businesses, fewer will cut costs (27%) or downsize (8% down from 32%) or outsource (25% down from 32%) to free up capital, indicating generally healthy sentiments for future growth.

Current and future activities to facilitate growth



Adaptive organisations lead with purpose and innovate

Through benchmarking surveys, proprietary research and customer dialogue, we observe common traits and behaviours in high-performing organisations, underpinned by essential components of an adaptive business. We believe empathetic and effective leadership helps organisations achieve all they can be for themselves and their customers.

Australia's technology businesses demonstrated exceptional skills and focus to rapidly uplift their customers to carry on with business while many were in partial or full lockdown. Digital business model transformation once would have taken months or years happened in days and weeks, with minimal disruption to their customers' business operations.

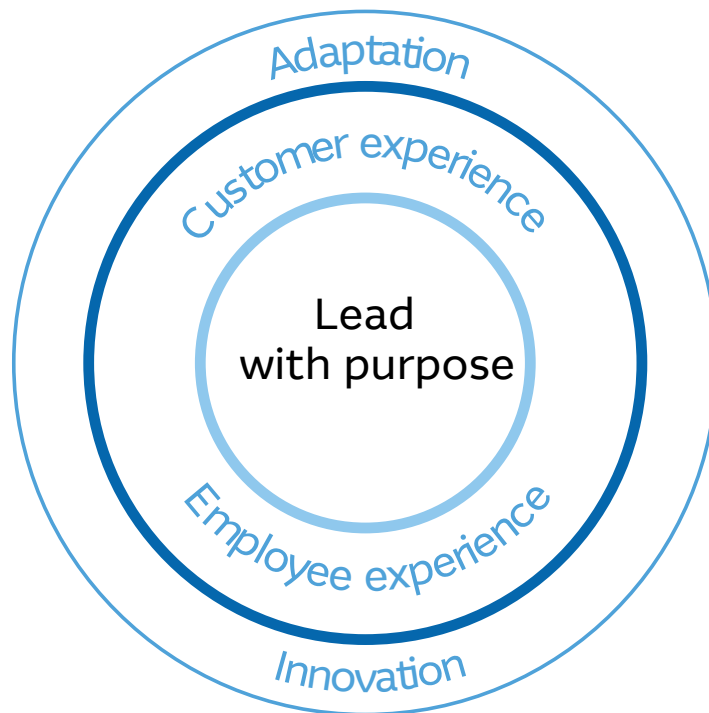
Businesses that rapidly transformed their work processes demonstrated that humans embrace radical change when options rapidly narrow. For instance, COVID-19 sped the shift to public cloud for many business customers that were previously on the fence or also had on-premises equipment. They also pivoted to remote collaboration and, in some cases, even provided new products themselves to their end-customers affected by the virus.

In our view, technology businesses that **lead with purpose** distinguish themselves and furnish an environment where employees flourish. They inspire their employees to provide **exceptional customer experiences (CX)**, which elevates success beyond industry norms, and returns value for the business owners, employees, and customers.

Innovative technology business owners understand that their business proactively delivers solutions to capture emerging opportunities and override challenges. This could mean providing a virtual open-house solution for a property agent, using technology that efficiently allocates resources to handle parcels in a busy logistics company, or training stay-at-home users how to identify a cybersecurity threat before it compromises corporate assets.

As the wavelengths between these ripples contract, innovation and adaptation gather pace despite challenges in the broader environment, delivering greater value to customers.

Stable times present insufficient incentive to transform but a crisis, such as COVID-19, catalyses and speeds innovation as what once made an organisation successful may no longer be relevant. As our benchmark shows, the technology sector thrived in an environment that vexed other sectors. But that's not to say technology businesses are unscathed; they face the same physical distancing and funding dilemmas as any business at this time.





Case study

Mirus' aged care platform pivots to contact tracing app to care for remote teams and seniors

Dedicated to the needs and challenges in aged care, Mirus created three leading software platforms to enable providers to manage revenue, admissions and employees.

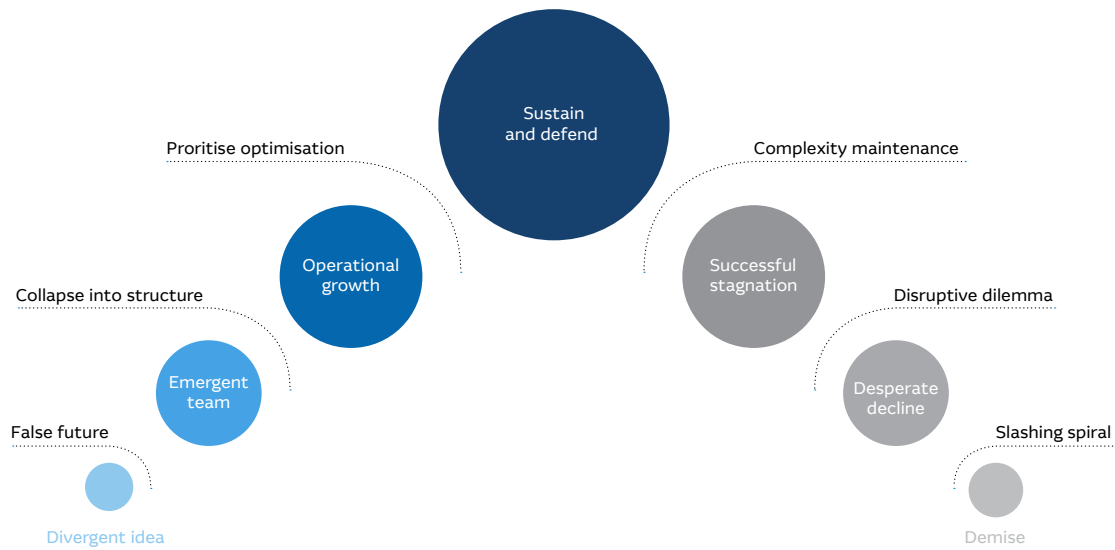
The 50-person business has 126 customers (a third of Australia's aged care facilities) and aspires to become a global brand, especially for its workforce management platform that more than trebled adoption in the past year.

"When COVID-19 hit, infection control became a serious risk and concern for our customers," says co-founder James Price. So Mirus pivoted its rostering application into a contact tracing application.

Visitors such as allied health workers, contractors and families were previously outside the formal rosters that facilities used to plan and monitor staff presences. They might only be noted in a handwritten visitor book, spreadsheet or invoice after the event—which slowed and complicated contact tracing—and visitors were rarely processed consistently like rostered staff.

"So we quickly pivoted our rostering platform to help customers manage this with a GPS signature on every clocking event. We now see potential for safely managing any remote or dispersed team - including our own," Price says.

Universal Arc of Organisations



Are you divergent, defensive or in decline?

COVID-19 forced almost every business in every industry sector to re-evaluate themselves. How organisations approach this 'disruptive dilemma' trigger point will determine their ultimate success when the new order solidifies. A way to picture this transition is the 'Universal Arc'—a pattern that repeats across businesses—from a 'divergent idea' through growth, into stagnation, decline and demise.

An entrepreneur starts out with a divergent idea they develop into a growing business as it enters a phase of operational growth. They build structures and processes to optimise for efficiency as they sustain and defend their position.

But businesses that were once successful become less economically sustainable over time — particularly when they are relationship-driven. In many instances, more customers often means more staff to serve them, along with physical space, technology and management. Even without the increasing scale of operational development, the energy required to sustain and defend a position can occupy resources in ways that divert attention from opportunities to grow.

This triggers a collapse into structure that leads to successful stagnation when the business may still be profitable as the leadership cuts costs and wrings out efficiency.

The business is at a hidden precipice — should a disruptive dilemma occur (like a virus, technological or a consumer shift), it might spiral into demise.

At each stage of the arc, business leaders must be alert to critical inflection points - moments when they should test their assumptions, and when opportunities for transformation may be crystallised.

How leaders respond to these moments determine their business' future.

Priorities of fast-growing technology businesses

Poised to grow rapidly — Most technology businesses plan to continue growing either organically or through acquisition but may face challenges accessing capital.

Customer is No.1 — Hiring in-demand skills in technology support, sales and business development will enable fast-growing technology businesses to extend their lead over their competitors and better serve their customers, a key strength.

Expand and diversify — Innovation through new products and services, greater efficiency and technology integration will grow revenue while software license fees are predicted to grow as revenue streams diversify.

People and culture offer untapped benefits — Although technology leaders say they want staff to feel supported and confident, they acknowledge it takes a lower priority. Workplace culture and diversity play key roles in the success of a business, especially as it scales up.

The human cultural imperative

Employers of choice have the skills to deliver exceptional customer experiences.

Care for your people and your people will care for your customers — all good things in business derive from this truth.

“Employees who are highly engaged deliver much better experiences to customers, and those customers become highly engaged and more loyal,” says Rosalind Coffey, Macquarie Banking and Financial Services’ Head of People, Culture and Customer Experience.

The virtuous cycle of engaged employees delivering exceptional customer experiences (CX) create ‘moments of gratitude’ that further inspire employees to go ‘above and beyond’; this is a primary asset for many high-growth businesses. Businesses that pursue a ‘people first’ strategy into which they invest significant time and resources, fostering flexible and inclusive environments tend to outperform their rivals. And leaders who consciously find, hire and nurture great people, whom they empower and inspire to perform at their best, driven by shared purpose and values, also tend to solve or head off other challenges along the way.

“You’ve got to care deeply about your employees because you need them to deliver to your customers,” says Dominic Price, work futurist for Atlassian.

But a picture emerges of technology businesses missing opportunities their counterparts in other sectors attain because, while focusing on revenue and growth, they ignore or devalue their biggest assets — their people.

Adaptive employee engagement

- prioritises flexibility and inclusion
- requires clear and consistent communication
- is driven by a belief in leadership values and purpose



Takeaways



First, care for your employees because they are the people who care for your customers.



Technology businesses may be missing out on a customer experience dividend.



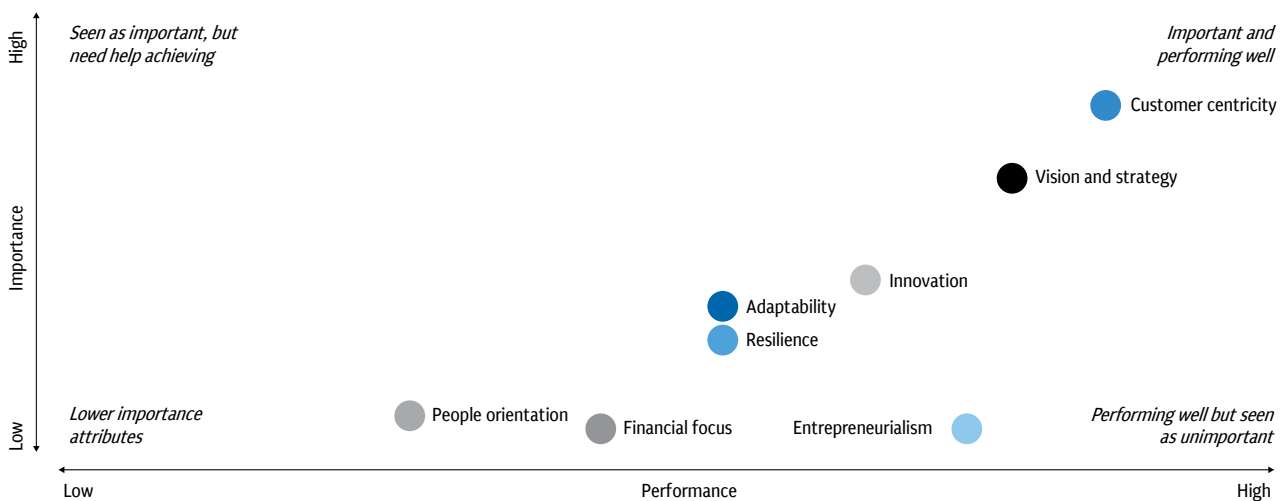
People and culture are emerging focus areas for technology businesses.



Technology businesses will focus on hiring employees for roles in sales, business development and support, skills that are in short supply.

Business perceived performance vs importance on key attributes

Customer centricity and vision are important and strengths. Opportunity to improve adaptability, innovation and resilience



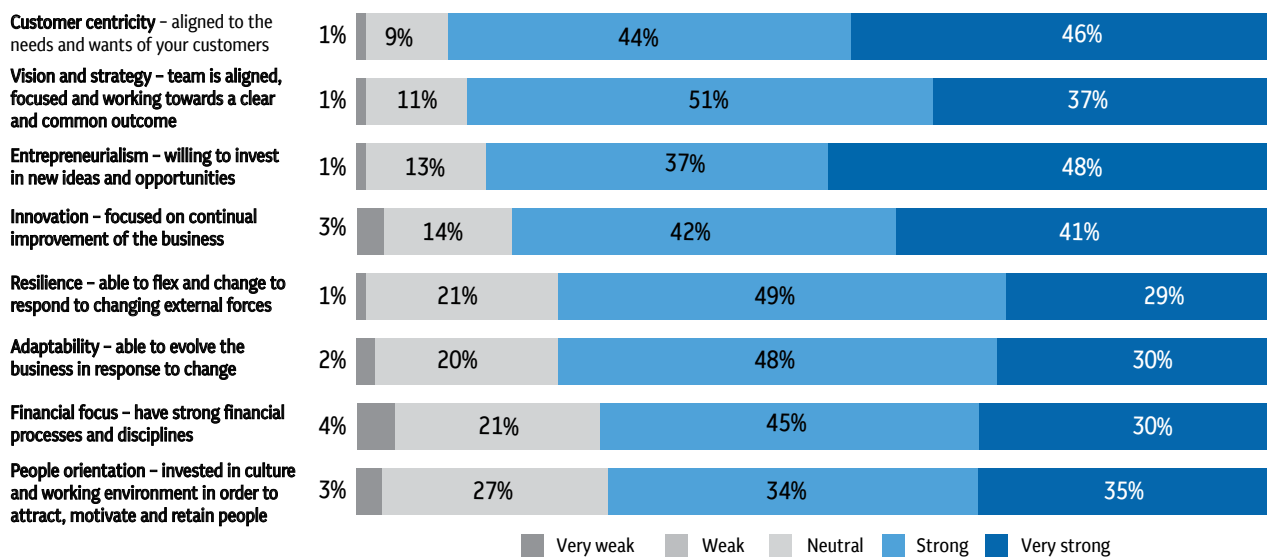
“You’ve got to care deeply about your employees because you need them to deliver to your customers.”

Dominic Price, Atlassian

Confused priorities rob technology businesses of a CX dividend

A contradictory image emerges of technology businesses that identify as customer-centric (90%) but make little effort and attach little importance to people orientation. Indeed, technology businesses say they perform weakest on people orientation (30%), outstripping self-identified weaknesses in financial focus (25%), adaptability and resilience (22% each). And across all the sectors Macquarie surveys—including real estate, the built environment and legal—technology businesses rank the lowest on how they value people.

Self-rated performance



Self-rated performance vs other Macquarie benchmarked industries

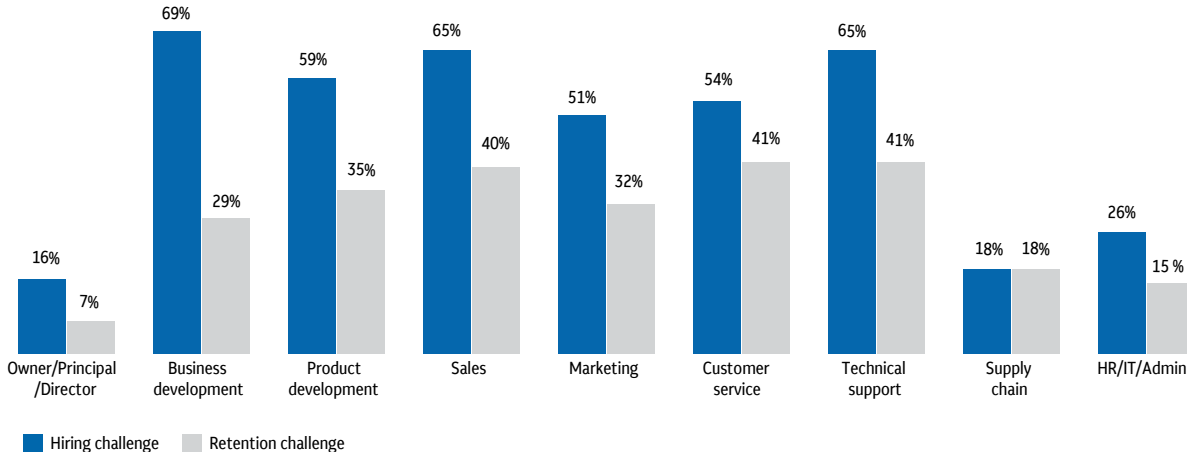
Technology industry feel they perform higher than average for all attributes, except for people orientation

Strong/very strong %	Technology (2020)	Insolvency (2019)	Real Estate (2019)	Built Environment (2019)	Legal (2019)	Benchmark Average
Customer centricity	🏆 90%	75%	82%	🏆 86%	🏆 81%	83%
Vision and strategy	88%	🏆 78%	72%	68%	59%	73%
Entrepreneurialism	86%	▼ 59%	74%	▼ 55%	▼ 53%	65%
Innovation	82%	64%	78%	63%	56%	70%
Resilience	78%	75%	78%	68%	67%	73%
Adaptability	78%	74%	80%	65%	57%	71%
Financial focus	75%	65%	▼ 71%	62%	54%	65%
People orientation	▼ 69%	75%	🏆 84%	77%	78%	77%

🏆 Strongest performer for vertical ▼ Weakest performer for vertical

Hiring challenge (moderate or significant)

Technical support and sales represent a challenge from both hiring and retention. Business development talent is hard to find and customer service can be difficult to retain

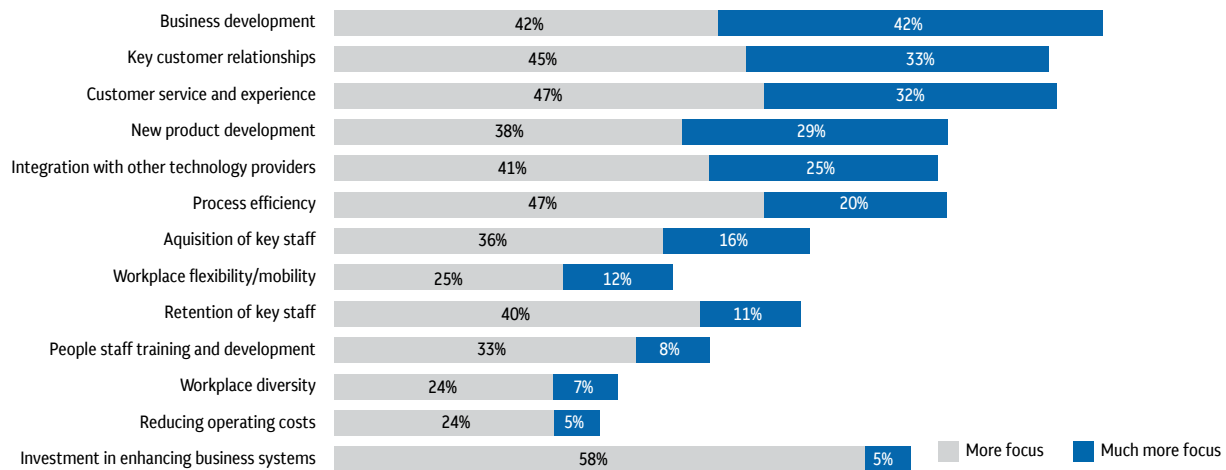


While technology businesses focus on business development (84%), customer relationships (78%), and customer service and experience (79%), paradoxically, people and culture is a last-order priority. Just over half the technology businesses focus on hiring (52%)

and retaining (51%) key staff, while only two in five saw training and development (41%) and workplace flexibility and mobility (37%) as top-tier priorities perhaps because they believe they already conquered with tools and technologies.

Future focus: the next two years

There is going to be a continued emphasis on reaching new customers and improving the experience of existing customers



Diversity and inclusion secret to reaching goals

But there are encouraging signs that technology businesses are beginning to bridge the gap to their people.

Through their workplace diversity programs (93% have a strategy), technology businesses signal a desire to seek more creative solutions and get closer to their employees and customers. And almost two-thirds encourage diverse teams for their problem-solving abilities.

A challenge many technology businesses (especially emerging) may face is overvaluing people who mirror those at the top. People tend to hire and value people who remind them of themselves. But this unconscious bias may limit innovation and growth.⁶

Management consultant Michael Maness calls this, “defeating dominant logic”, an evolutionary tribe-building trait that may blind leaders to uncomfortable truths. Maness recommends leaders look outside their tent,

listen to diverse opinions, and value ‘divergent’ people who challenge the current state of affairs.

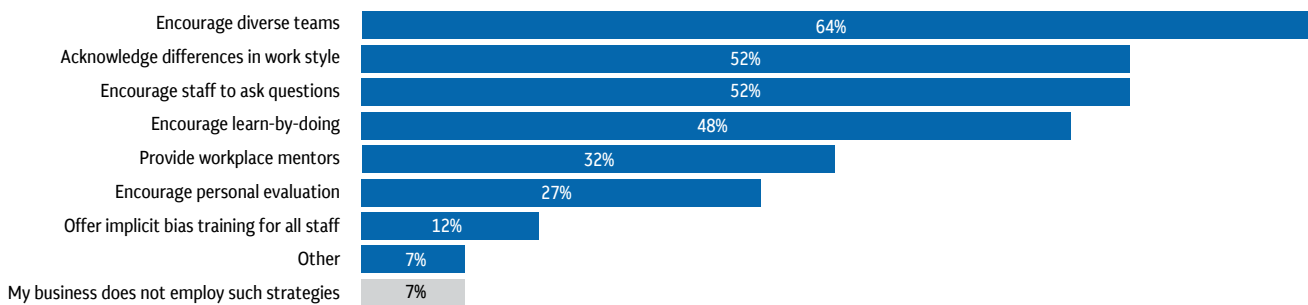
Attempts to broaden and diversify dialogues within the business and with customers and partners are increasingly important to recognise emerging opportunities and migrate away from declining business activities, he says.

Consciously seeking diversity and inclusion may also be the only way to access skills in demand because, while COVID-19 released talent into the market, technology businesses still report shortages in areas they intend to hire — business development (47%), sales (46%), technical support (43%), customer service and marketing (32% each).

And while one in five technology businesses said attracting key staff (21%) and succession planning (16%) were key people priorities, a third (33%) recognised their approach to people management was a significant challenge.

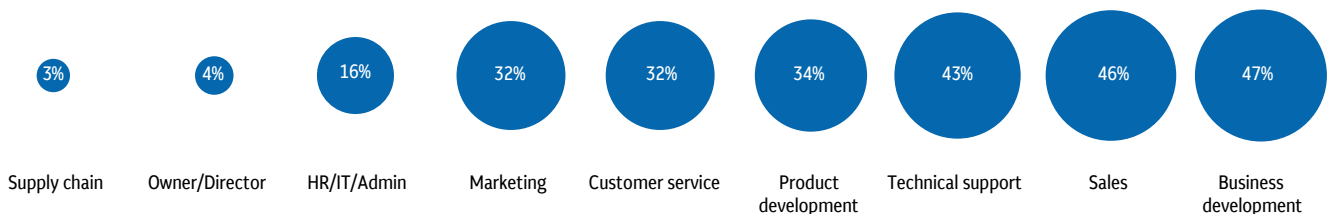
Strategies to encourage diversity

Creating a supportive and adaptable workplace is key



Hiring intention over the next 12 months

Strong focus on business development and sales, as well as technical support



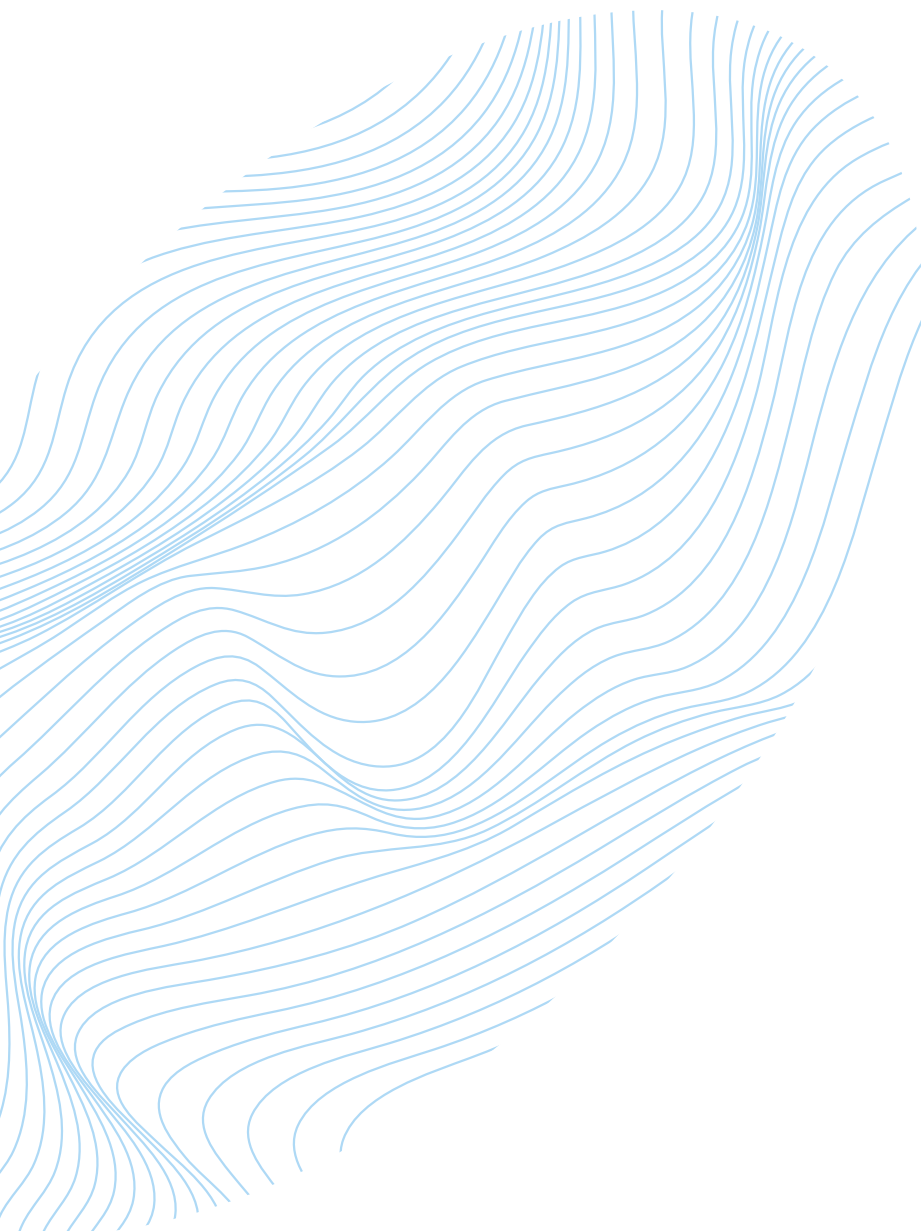
Staying close to customers provides an edge

Although technology businesses perceive people and culture as less important to their success than other sectors within Macquarie industry pulse checks and research, they acknowledge that workplace environment and diversity are essential for success. They want staff to feel supported and confident, which is critical for growth because talent in scarce supply is a significant constraint on growth.

Technology businesses also want to maintain what they perceive as their winning edges in customer experience and customer-centricity. They plan to lift sales, marketing and business development to improve relationships with customers and spur growth.

Employee experience empowers and inspires discretionary effort

Employee experience (EX) measures how staff perceive their interactions with their employer — the emotional aspects of ‘what it’s like to work in that organisation’. This holistic view of how employers empower and engage staff to live up to a business’ purpose and strategy stems from a sense of purpose, feeling valued, inclusion and respect. And in a year when nearly half of Australia’s working population adapted—overnight in many cases—to remote work, it has never been more important.





Case studies

“We have a very clear corporate purpose and culture so all we do and the decisions we make are aligned.”

Belinda Cooney,
Interactive

Selling and succession top of mind for smart technology businesses

Larry Lopez might throw a stone from his back porch in Silicon Valley and hit more value-creation talent than he can find in all of Australia.

The former Managing Director of Silicon Valley Bank and consultant to fast-growing international technology businesses for 30 years, is now a partner with Australian Venture Consultants in Perth, Western Australia. Lopez says although Australia’s management talent pool is improving it lacks “depth in revenue-building and value creation”.

“There’s more unicorns within a mile of my house in Menlo Park, California, than all of Australia,” Lopez says of privately held technology companies valued at more than \$US1 billion.

And while Australian technology businesses are “good at sizing the market and understanding the channel” they lack people with the skills to drive cost-effective “customer acquisition” that separates unicorns from other companies, he says.

“That’s the biggest missing factor in Australia. People understand marketing but converting to revenue is a weakness. They don’t know how to sell.”

“No.1 thing they have to do is customer acquisition. It’s top of the pyramid. And selling — how do you get people to pay you money for your product?”

‘Human’ priority to keep scarce skills in-house

Finding and retaining people is a significant constraint on growth for nearly one in three technology businesses, while more than twice that number identify people with the perfect mix of business and people skills who can sell as a moderate or significant challenge.

High people orientation is an asset for Interactive, a supplier of cloud, data centre and managed services named a best place to work in Australia⁷, beating out technology unicorn Canva, Adobe and ServiceNow.

Chief Financial Officer Belinda Cooney says Interactive’s culture determines its succession management and gives it an edge hiring and retaining skilled people. The technology provider that counts Aldi, Toyota Financial Services, and Animal Logic among its more than 2000 corporate clients prides itself on “keeping technology human”.

“We know the profile of the person we want and usually we have seen them operating in their current role, but we back ourselves to provide people with superior opportunities,” Cooney says.

Succession management and retention is a significant challenge for one in four technology businesses. Separately, more than half say teamwork (60%) and workplace culture (56%) determine business success, behind only attitude/mindset (78%) and customer experience (71%).

“We have a very clear corporate purpose and culture and so cultural fit is top of our list. We worked very hard to get our corporate purpose in place—to keep technology human—so all we do and the decisions we make are aligned with it.

“And that’s hard to do that if you’re recruiting off the street.”

Considerations for longevity

Aspirational technology businesses poised for growth without compromise.

The owners and management of technology businesses that weathered COVID-19 might be asking, “What’s next for me and my business?”

For the foreseeable future, business customers will increasingly seek the products technology businesses offer but some providers will benefit more than others and grow more quickly depending on the decisions they make now.

Of all industry sector participants we observe, technology businesses tend to have the strongest growth mindset that primes them with confidence and optimism. Their embrace of innovation and customer focus positions them to recognise when they are on the brink of decline and failure to disrupt themselves—and their customers—with time to course-correct.

Where perhaps technology businesses can amplify their inherent strengths is to focus on the people and financial aspects that make success possible.

Value your people and they will care for your customers

Growing technology businesses say they will hire more people with scarce skills such as sales and business development, and customer care and support over the next one to two years. And while one in five say the challenge of attracting key staff is a handbrake on growth, most are happy with their ability to retain key staff and their approach to workplace diversity and inclusion.

But the technology sector’s central paradox is that, although it rates customer-centricity highest of all sectors, it scored itself lowest for people orientation.

Imagine what technology businesses, which had such contradictory views of themselves, could achieve were they to improve their people scores a few points.

Creating exceptional employee experience (EX) creates a ‘virtuous cycle’ of engaged workers delivering exceptional care for your customers. This feedback loop of positive EX amplifying exceptional customer experience (CX) is more than just serving a customer. Employees will dig deep to provide discretionary effort when their leaders inspire and empower them, which makes customers more loyal and willing to spend.

And for the one in three technology businesses that rate competition as a significant emerging threat, becoming an employer of choice helps even the playing field even with larger rivals (12% also say they fear boutique businesses).

Takeaways



Australian technology businesses are uniquely positioned to grow and prosper in the next one to two years.



Greater focus on people orientation should lead to more engaged employees creating exceptional experiences for customers who will be more loyal and help to fill scarce skills to compete with rivals.



Debt is a powerful 'fourth way' to speed growth without the compromises of other ways to raise capital.

Smarter money ignites fast-moving technology businesses

Although Australia's technology sector is among the nation's most innovative industries, accessing capital is still a significant challenge for more than one in four businesses. The three ways a business has traditionally borrowed to grow were:

- 1. 'Bootstrapping'** — Funded from a founder's personal cash reserves (or a credit card) and current revenues. This only works for certain business models and limits the speed at which the business develops new products or services or acquires customers.
- 2. Property-backed loans** — Although using the family home as security is an easy route it may carry unacceptable risk and could limit potential growth.
- 3. New partners** — Angel investors, venture capitalists, private equity, new shareholders and owners dilute control and equity and may be slow to on-board.

But a 'fourth way' has emerged.

- 4. Debt funding (cashflow lending)** is an emerging, accessible option for a technology company to access growth capital. Lending facilities provided with the business as 'security' can be significantly cheaper and faster to obtain, allowing business owners to quickly seize opportunity while retaining control over their own destiny.

As technology businesses grow and generate positive cashflow, more funding options become available. Cashflow lending, which was once only available to select corporates, is increasingly available at earlier growth stages.

A trusted adviser will back your vision

With its heritage in investment banking and having a shared agenda for its customers' success, Macquarie Bank is a leading provider to technology companies.

Macquarie understands its customers' businesses, backs their vision and shares the risks, says Evan Hinchliffe, Technology Industry Lead at Macquarie Business Banking.

"Although Macquarie Bank is a banking partner for an increasing number of Australia's top technology names, we add greatest value over the entire lifecycle of the business relationship," Hinchliffe says. "We treat even small businesses as if they're big businesses because that's what we want them to become."

Hinchliffe says, "whichever path an entrepreneur follows, Macquarie Business Banking has services and networks to manifest their plans into reality".

"Whether you are currently self-funded, or venture backed, Macquarie can support your business with growth capital solutions alongside our transaction banking and value add services".

About the research

Our 2021 pulse check is based on a focused survey of over 130 technology businesses across Australia, conducted for Macquarie Bank by Fiftyfive5 in August and September 2020. It is the first time Macquarie has conducted a study of this kind into the technology sector, providing a unique benchmark for businesses analysing their own performance and identify opportunities for growth.

The COVID-19 pandemic

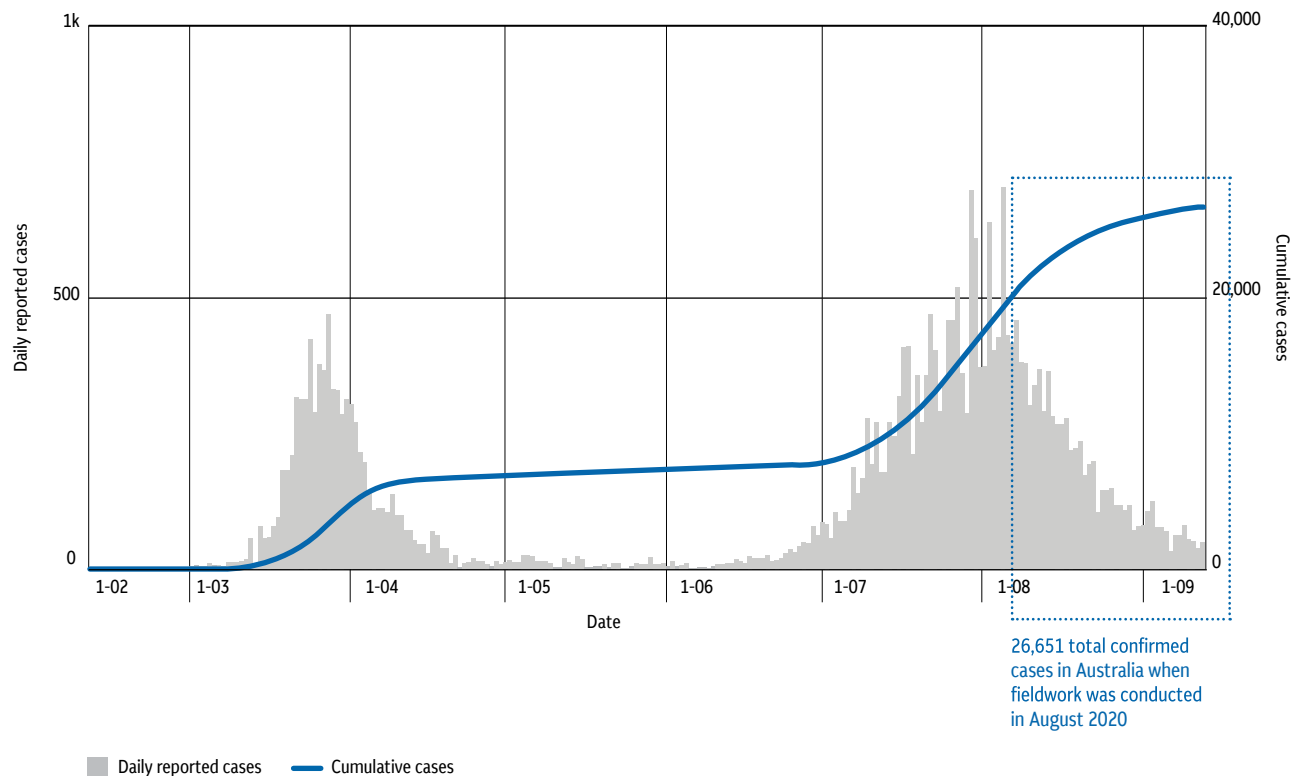
Fieldwork conducted in August - September throughout the ongoing global tension from Coronavirus

During fieldwork:

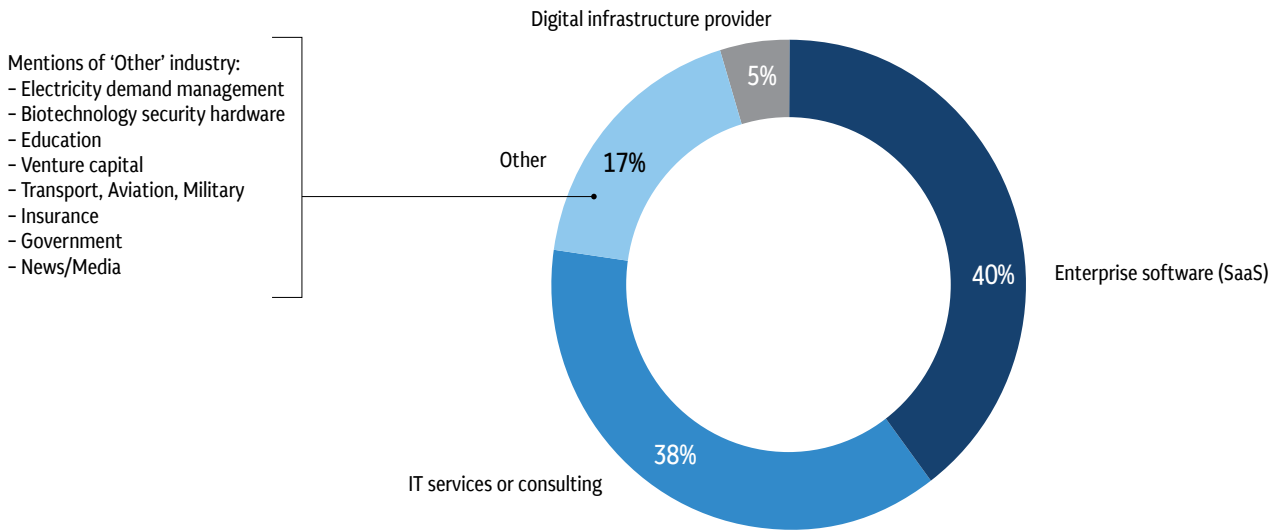
Melbourne's stage 4 lockdown had been extended for another two weeks beyond the original end date of September 13

Victoria has announced a new \$3 billion support package for the state's struggling businesses

The average daily case number for regional Victoria has dropped below 5, which was one of the criteria to be met before the state can progress to the third step of eased restrictions

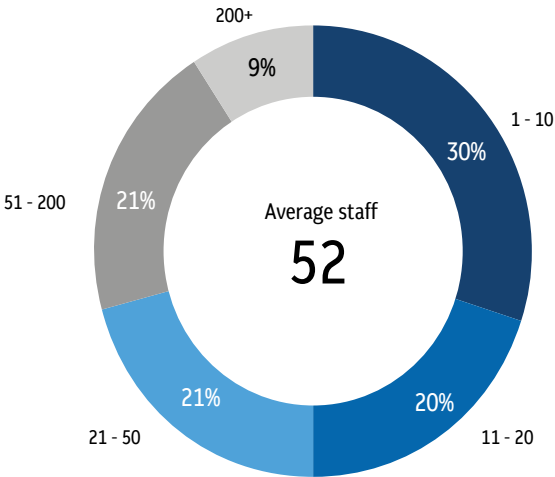


Industry that business operates in



Corporate structure

Number of people in the business



Number of shareholders in primary operating business

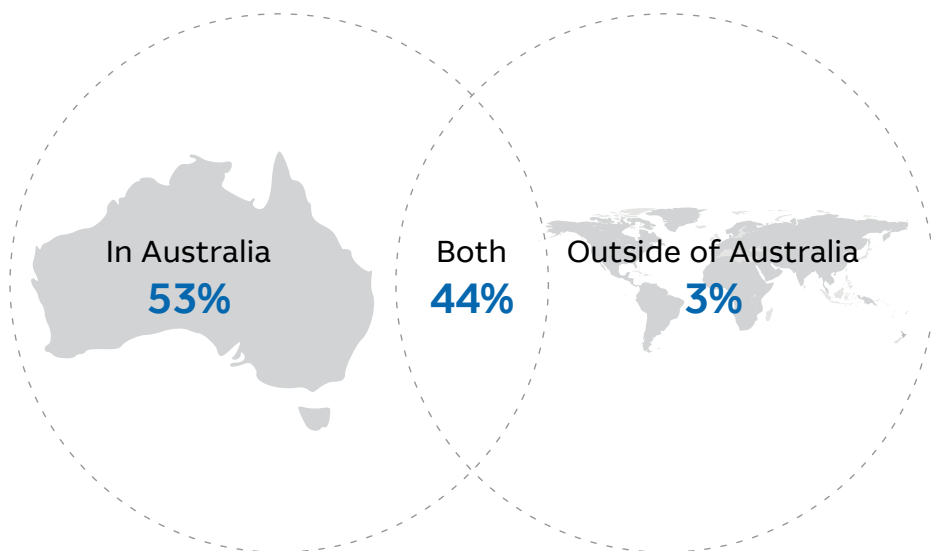
1 - 2	29%
3 - 5	31%
6 - 10	15%
>10	22%

Average **7** shareholders

Business demographics

Vast majority of sample are at least partially Australian-based and have been operating for over 6 years

Number of people in the business

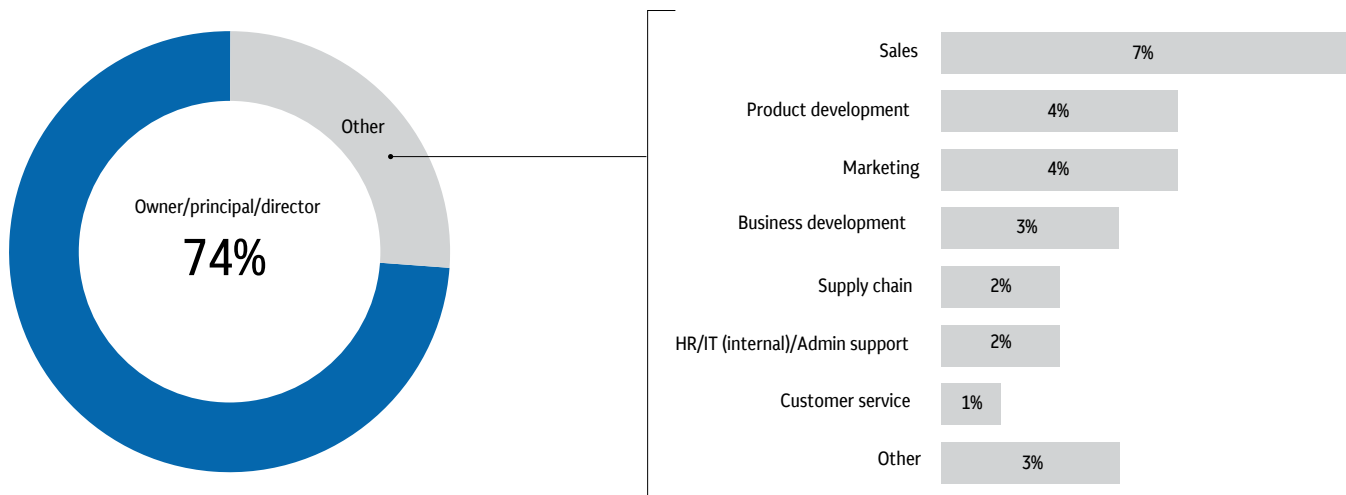


Length of operation

Fewer than 12 months	1%
1 - 3 years	15%
4 - 5 years	19%
6 - 10 years	26%
>10 years	38%

Average 7 years

Respondent role in business Respondent role in business





References

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